

Message Text

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ACTION EB-04

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C O N F I D E N T I A L LONDON 18373

LIMDIS

E.O. 11652: XGDS-1
TAGS: ENRG, UK
SUBJECT: A BRITISH VIEW ON OPEC OIL PRICE DECISION

1. HANNAY, THE HEAD OF THE FCO'S ENERGY DEPT., HAS TOLD EMBASSY OFFICERS THAT HE DETECTS CERTAIN SIGNS -- E.G. SEC. BLUMENTHAL'S POST-MIDEAST TRIP STATEMENTS -- THAT THE U.S. IS ABOUT TO BEGIN A CAMPAIGN LIKE THAT OF LATE 1976, TO SEEK TO PERSUADE OPEC COUNTRIES NOT TO RAISE OIL PRICES. HANNAY SAID HE HOPED THE U.S. WOULD NOT, IF IT CHOSE TO EMBARK ON SUCH A CAMPAIGN, ASK THE U.K. TO BE ITS PARTNER, AS WAS THE CASE IN 1976. HE EMPHASIZED THAT WHEN THE OCCASION NATURALLY AROSE, AS IN MEETINGS ON OTHER SUBJECTS, SENIOR BRITISH OFFICIALS WOULD ECHO THE U.S. VIEW THAT OIL PRICE INCREASES ARE ECONOMICALLY UNJUSTIFIED. BUT HE FELT THAT TACTICALLY IT WOULD BE UNNECESSARY AND UNWISE TO PARTICIPATE IN AN ORGANIZED CAMPAIGN. UNNECESSARY, INTER ALIA, BECAUSE SEVERAL OPEC COUNTRIES (HE MENTIONED IRAN) ARE "BEHAVING BETTER" THAN A YEAR AGO.

2. HANNAY SUGGESTED THAT THE PROSPECTS WERE FOR AN AVERAGE INCREASE OF 5 PERCENT IN THE OPEC PRICE -- WITH
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SOME COUNTRIES, LIKE SAUDI ARABIA, POSSIBLY HOLDING THE LINE AND OTHERS GOING FURTHER THAN 5 PERCENT.

3. COMMENT: WE DID NOT GET THE IMPRESSION THAT HANNAY WAS TALKING OFF THE CUFF, BUT ON THE OTHER HAND WE ARE NOT SURE HOW FORMAL AND OFFICIAL HIS LINE ON AN ANTI-PRICE-INCREASE CAMPAIGN IS. WE SUSPECT IT DOES REPRESENT

SENT AN UNDERLYING BRITISH ATTITUDE OF RELATIVE
COMPLACENCY ABOUT OIL PRICE INCREASES.

STREATOR

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